

Starting and running a business in 2020 - 25 things to think about

Starting or running a business can be fantastically rewarding. It might even be fun if your work is something you enjoy. It can also be daunting. There is a vast range of information available and this can sometimes lead to you feeling swamped. This 'checklist' has been developed to help you along the path of starting and running '**a small business**'.

A suggested 'annotation' for each item below follows:

| | |
|---|--|
| N | Not applicable |
| L | Come back to later (maybe insert a review date and High, Medium or Low priority. |
| W | Work on now |
| C | Complete |
| A | Talk to an accountant, business advisor and/or trusted friend that runs their own business |

Some items in the list below are for companies only (explained below where relevant).

1. If you want to travel somewhere you use a map. In business it's just the same except you get yourself a **plan**. Commit it to writing and don't expect to get it right first time (no one does!). A few pages are fine to start with based on objectives, your market research and a budget for the year (accountants call this a profit-and-loss forecast). Review it with your accountant and/or a trusted friend who runs a business, then build it up.
2. Choose your **trading format**, i.e. company (usually signified by 'limited') or sole trader or partnership or limited liability partnership. This is an important step and one to talk through with your accountant or a business adviser. You can set up a company for £12 at Companies House (www.gov.uk then go to Companies House and then 'starting a company'. Understand the personal liability risks of sole trader/partnership and, indeed, joint and several liability if trading in partnership ('last person standing pays the lot!'). If things go badly wrong your personal wealth could be at risk – but perhaps insurance could help (see below).
3. Choose your **accountant**. There are many accountancy organizations; chartered accountants can be found at www.icaew.co.uk (England and Wales); www.icas.org.uk (Scotland) and www.charteredaccountants.ie (Ireland). Accountants are usually prepared to see you for an initial 'no obligation' meeting. Be clear about who your regular contact will be, their qualifications and knowledge of your industry, their hourly rates and whether they have professional indemnity insurance.
4. Make sure you have a source of **legal help**. Could your local solicitor help? Alternatively, your trade association (see point 6) may offer a free legal helpline that may suffice initially. An early legal question that will usually arise is about your terms and conditions of trade or contracts and employing/bringing in others.
5. **You're not alone!** There is some **free government help** that you will find at www.gov.uk, which contains the government's online resource for businesses.

You should also check out the government-backed initiative www.startupbritain.org and www.greatbusiness.gov.uk for inspiration and ideas. Regional or country-specific support is also available at:

England: The Local Enterprise Partnership at www.lepnetwork.net

Northern Ireland: www.nibusinessinfo.co.uk;

Scotland: www.mygov.scot/business;

Wales: www.business.wales.gov.uk.

Then tap into those you know who have run a business. Ask what they did that worked well AND what they would do differently and learn from this.

6. Join the best **trade or professional association** that you can identify and consider the extra benefits each provides in the areas of research information, networking events, helplines, tax investigation help and insurance offerings. Try www.fsb.org.uk or, for freelancers, try www.ipse.co.uk
7. Choose and, if appropriate, protect your *business name*. There is excellent free help available on intellectual property (patents, trademarks etc.) at the Intellectual Property Office at www.gov.uk/government/organisations/intellectual-property-office.
8. Choose a **business bank account**. Shop around for the best deal that suits your business (often a trade-off between the conveniences of a local 'bricks and mortar' branch accompanied by internet banking versus free or reduced charges for internet-only accounts). Currently newish banks Starling and Monzo seem to be breaking the mold on banking.
9. Assess your **pension** needs with a financial advisor regulated by the Financial Conduct Authority- this can afford significant tax efficiencies but there are traps for the unwary.
10. Sort out your **tax and record keeping** (documents need to be kept for six years and you need to become a receipt/invoice hoarder with a logical 'system for filing'); as the taxman might say, 'Prove it or lose it.' Check with your accountant that your proposed bookkeeping and record-keeping systems are acceptable before you buy them.
11. Understand the implications of **failing to deal with your tax affairs properly**. For sole traders you need to register with HMRC via www.gov.uk (then go to working for yourself). For companies you need to register with HMRC for corporation tax and then PAYE. For errors in tax there can be penalties ranging from 30 per cent to 200 per cent plus interest. Some trade associations include 'free' tax investigation cover – a very useful benefit. Understand your key *tax and other obligations* and deadlines. For companies you must pay your corporation tax 9 months after your year end and, usually, PAYE/NIC monthly. For sole traders your income tax is collected through self assessment (filed and paid by 31 January following the 6 April to 5 April tax year. You are obliged to file your annual accounts at Companies House nine months after your year end (your accountant will do) and your *confirmation statement* on the anniversary of setting up a company each year (fairly easy- you should be able to do). There is good-quality free help at Companies House.
12. Understand your obligations on **VAT**. The current registration threshold for compulsory registration is £85,000. Consider the VAT flat-rate scheme for small businesses.

13. Set up your **premises** so that you can work effectively. If you work from home, manage your family's and neighbours' expectations – suddenly the phrase 'time is money' takes on a new meaning.
14. Set up your **suppliers** (set up contracts and bills in the company or business name) and, if appropriate, set up stock control and delivery systems.
15. Consider **insurance** policies for identified business risks (professional indemnity, public liability, product liability, etc.). An insurance broker can advise on this and you should also consider policies available via trade associations as these can provide increased cover at less cost (don't forget to notify your home and car insurers if you use these for business).
16. Consider protecting the income you take from your business (especially if you have dependants) in the event of long-term **illness or death** and if in doubt take advice from a financial adviser).
17. **Marketing and selling** will be massively important to your success. If you are not from a selling/marketing background, talk to trusted friends who run their own business and your accountant/adviser or mentor about your market research and marketing plan. Understand your customers and what they need.
18. Do not underestimate the importance of **networking** and the potentially massive multiplier effect of reaching through to the networks that sit behind your primary network contacts.
19. Plan the **pricing** strategies for your product or service. A different package means a different price. How have you benchmarked your price and how have you differentiated your offering (features and benefits) to allow you to charge that little bit more? Conversely, what features and benefits have you stripped out to allow you to offer a headline price that comes in beneath the competition?
20. Plan your **marketing promotion strategy**. Remember that 'folk are different' and that it is a bit like fishing – you use different hooks depending on what you are trying to catch.
21. Get paid promptly for your sale. What are your **payment terms** (terms and conditions)? Follow up on outstanding debts. If you sell stock have you included a reservation of title clause to help you retrieve unpaid stock if your client goes bust?
22. Set up your **IT system** and support and have a system to back up your data securely. Check whether you need to notify the Information Commissioner under the *data protection* laws (ico.org.uk).
23. Consider other **red tape**, especially if your area is a specialized sector (food, health and safety, etc.). Investigate and apply for the licences and permits that your business may need. If unsure contact your local county trading standards office as a starter.
24. **For companies** you need to understand your payment obligations (and timescales) on **PAYE and National Insurance** (this can also apply to sole traders who have employees). This can be the tricky bit due to the strict monthly routine. Sign up for and activate Paye online – all reporting is done online and it takes about 10 days to activate the service first time round. HMRC have useful support on payroll at <https://www.gov.uk/running-payroll/overview>. Alternatively you may want to outsource paye/payroll to a payroll agent where the costs are usually about £23 to £26 per hour.

25. All **directors of companies** have to do a **self-assessment** tax return each year and this covers the period 6 April to 5 April and must be filed with HMRC by the following 31 January (at which time any tax due is to be paid). If you are a director decide whether you are going to do the self-assessment or is this a task for your accountant.

Re-review and up-date your business plan in the light of experience and keep it a living document.

Initially reviewed: Date _____

Diarised for follow up review: Date _____

Other notes/matter arising for follow up